

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact

Date: June 2, 2008

Bill Number: S.B. 1050 (As amended 05/28/08)

Author: Verdin and Ryberg

Committee Requesting Impact: Senate Transportation

Bill Summary: A bill to amend Chapter 3, Title 56 of the 1976 code, to provide that the Department of Motor Vehicles (DMV) may issue Operation Desert Storm-Desert Shield veterans license plates, Operation Enduring Freedom veterans license plates, and Operation Iraqi Freedom veterans' license plates *as further amended*.

REVENUE IMPACT ^{1/}

This bill, as amended, would raise earmarked funds of the DMV by \$13,133 and Motor Vehicle License revenues within the state's General Fund by \$12,600 in FY 2008-09. Conversely, it would reduce respective restricted funds of SHF/DOT by \$18,705 and of SIB by \$11,028 in FY 2008-09.

Explanation

Sections 1-3 of the bill, as amended, authorize DMV to issue three, new special license plates to those veterans with verifiable active duty service in following military operations: Operation Desert Storm-Desert Shield, Operation Enduring Freedom or Operation Iraqi Freedom. A special fee of \$20 applies to each plate and is in addition to the regular biennial registration fee under Article 5, Chapter 3 of Title 56 (\$20-\$24 for autos, based on age; or \$30 for light trucks). Notwithstanding other provisions of law, special fee proceeds that are net of production costs retained by DMV must go to the state's General Fund.

Based on minimum sales per series of 400 tags in the initial year, at \$20 each, we expect a gross yield of \$24,000 in special fees (@ 1,200 total plates times \$20) in FY 2008-09. Of this amount, DMV would receive \$11,400 for production costs, based on an estimate of \$9.50 per plate. The balance of \$12,600 would go to Motor Vehicle Licenses within the state's General Fund.

Section 4 authorizes "Veteran" special license plates for applicable vehicles registered to those veterans with verifiable service in U. S. Armed Forces or the National Guard, to include the Reserves of respective branches. Applicants must include military documentation of honorary discharge from service. Regular, biennial fees apply at \$20 - \$24 for autos, based on age, and \$30 for light trucks.

We estimate first-year sales of 400 tags with a distribution of 360 autos and 40 light-duty trucks. Although no "special" fee is assessed, as in current practice we expect DMV to recoup its cost. Accordingly, multiplying 400 plates by an estimated cost differential (new vs. renewal) of +\$5 per plate would raise DMV earmarked funds by a total of \$2,000 in FY 2008-09. Respective revenue allocations to the State Highway Fund (SHF) within the Department of Transportation (DOT) for autos, and to the S. C. Transportation Infrastructure Bank (SIB) for light trucks, are net of DMV's costs as applicable. Each proration would, conversely, be reduced by \$5 per plate in FY 2008-09. Thus, funds earmarked to the SHF within DOT would be reduced by a total of \$1,800 (@ \$5 times 360 autos), and to the SIB by a total of \$200 (@ \$5 times 40 trucks) in FY 2008-09. This section would have no impact on state General Fund revenue.

Section 5 adds organizations certified under Section 501(C)(6) of the Federal Internal Revenue Code to those groups that can apply for special license plates under Section 56-3-8000(A). In the initial year, we expect one group to make a \$4,000 deposit toward production. All proceeds from such deposits are retained by DMV to defray initial production costs. This new provision is therefore expected to raise earmarked funds within DMV by \$4,000 in FY 2008-09.

Section 6 authorizes a new, special license plate that must contain the words, "I Believe," and a cross superimposed on a stained glass window. Regular, biennial fees apply at \$20 - \$24 for autos, based on

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age, and \$30 for light trucks.

Under Section 56-3-8100, prerequisites for production by DMV are a minimum of 400 prepaid applications, or a deposit of \$4,000. We estimate first-year sales of 400 tags with a distribution of 360 autos and 40 light-duty trucks. Although no "special" fee is assessed, we expect DMV to recoup its cost. Accordingly, multiplying 400 plates by an estimated cost differential (new vs. renewal) of +\$5 per plate would raise DMV earmarked funds by a total of \$2,000 in FY 2008-09. Respective revenue allocations to the SHF within the DOT for autos, and to the SIB for light trucks, are net of DMV's applicable costs. Each proration would, conversely, be reduced by \$5 per plate in FY 2008-09. Thus, funds earmarked to the SHF within DOT would be reduced by a total of \$1,800 (@ \$5 times 360 autos), and to the SIB by a total of \$200 (@ \$5 times 40 trucks) in FY 2008-09. This section would have no impact on state General Fund revenue.

Sections 7 and 8 authorize two, special license plate series to honor those combat veterans who have been awarded the Silver Star or Bronze Star. An application must include proof that the vehicle owner is a recipient of the respective award. Regular, biennial fees for private passenger vehicles apply under Article 5, Chapter 3 of Title 56 as follows: \$20 - \$24 for autos, based on age, and \$30 for light trucks.

These sections add language to exempt preproduction requirements under Section 56-3-8100. Since it normally takes nearly six months to complete design and production review for a new special license plate, even with full support from a sponsoring entity, these plates may not be available for purchase before calendar year 2009.

Based solely on prepaid applications, we expect a combined total of 70 plates would be issued in FY 2008-09, with a distribution of 52 autos and 18 light-duty trucks. Although no "special" fee is assessed, as in current practice we expect DMV to recoup its cost. Accordingly, multiplying 70 plates by an estimated cost differential (new vs. renewal) of +\$5 per plate would raise DMV earmarked funds by a total of \$350 in FY 2008-09. Respective revenue allocations to the SHF within the DOT for autos, and to the SIB for light trucks, are net of DMV's costs as applicable. Each proration would, conversely, be reduced by \$5 per plate in FY 2008-09. Thus, funds earmarked to the SHF within DOT would be reduced by a total of \$260 (@ \$5 times 52 autos), and to the SIB by a total of \$90 (@ \$5 times 18 trucks) in FY 2008-09. These sections would not impact state General Fund revenue.

Section 9 provides for the DMV to charge no fee to issue or renew a 'Purple Heart' special plate. Current biennial fees for this permanent plate are \$20 - \$24 for an auto, based on age, and \$30 for a light truck.

We estimate an average of 1,242 registrations in this series would be renewed annually, with a distribution of 820 autos; 405 light-duty trucks; and 17 motorcycles. Since age differentials would have minimal net impact, the top rate of \$24 is used to estimate lost revenue from auto fees. Multiplying respective fees of \$24, \$30 and \$10 by the aforementioned vehicle splits yields a total revenue loss of \$32,000 in FY 2008-09, and annually thereafter. Beginning in FY2008-09 the annual loss to state agency funds pursuant to statute is apportioned as follows: DMV, \$6,617; the SHF within the DOT, \$14,845; and the SIB, \$10,538. This section would have no impact on state General Fund revenue.

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^{1/} This statement meets revenue impact requirements of Section 2-7-71 for a state impact by BEA, Section 2-7-76 for a local impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by Office of Economic Research (OER).